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## **TAXATION COMMITTEE**

Thursday, September 8, 2022  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Dale Patten, Chairman, called the meeting to order at 10:00 a.m.

**Members present:** Senators Dale Patten, Scott Meyer\*, Merrill Piepkorn, Mark F. Weber; Representatives Dick Anderson\*, Jason Dockter, Robb Eckert, Patrick Hatlestad, Craig Headland, Jim Kasper, Vicky Steiner, Wayne A. Trottier

**Members absent:** Representatives Tom Kading and Ben Koppelman

**Others present:** Senator Tracy Potter, Bismarck  
See [Appendix A](#) for additional persons present.

*\*Attended remotely*

**It was moved by Representative Hatlestad, seconded by Senator Piepkorn, and carried on a voice vote that the minutes of the June 15, 2022, meeting be approved as distributed.**

### **REPORTS**

Ms. Rikki Roehrich, Deputy Director, Division of Community Services, Department of Commerce, provided information ([Appendix B](#)) regarding the annual report pertaining to renaissance zone progress as required by North Dakota Century Code Section 40-63-03(2), and the summary of reports provided by cities that have renaissance zone property included in a tax increment financing district as required by Section 40-63-03(10). She noted:

- The benefits realized by the 50 projects completed in 2021 amounted to \$2,557,405 in income tax exemptions and \$8,552,426 in property tax exemptions.
- Since the inception of the renaissance zone program, 1,976 projects have been approved and 1,554 projects have been completed.
- A survey of renaissance zone communities conducted in 2021 indicated renaissance zones created 20 new businesses, 13 business expansions, and 211 new jobs.

Ms. Carla Valentine, Program Manager, Economic Development and Finance Division, Department of Commerce, provided information ([Appendix C](#)) regarding the 2021 Business Incentive Accountability Report as required by Section 54-60.1-07. She noted:

- From 2017 through 2021, 841 business incentive accountability agreements were entered into the database, totaling an incentive value of \$172,619,977.
- Over the last 5 years, 3,400.5 jobs were created and retained compared to a goal of 1,466 jobs.
- 76 percent of business incentive agreements met their goals within 2 years from the benefit date.

### **PROPERTY AND INCOME TAX REFORM AND RELIEF STUDY**

Mr. Matt Gardner, Executive Director, North Dakota League of Cities, provided information regarding the feasibility of including special assessment information on the notice of estimated property tax required under Section 57-15-02.2. He noted:

- It is important to consider the numerous responsibilities of a city auditor and the number of parcels located within cities when analyzing the feasibility of adjusting deadlines or responsibilities of city auditors.

- From a process standpoint, including special assessment installments paid in the previous taxable year would be relatively easy.
- Concern regarding the potential discrepancy between the special assessment installments paid in the previous taxable year as compared to the special assessment installment payable in the current taxable year.

Ms. Jennifer Gast, City Auditor, Carrington, provided information ([Appendix D](#)) regarding the feasibility of revising deadlines under law to allow a county auditor to include an estimate of the current year's special assessment installment on the notice of estimated property tax. She noted the following concerns:

- The special assessment timeline likely would need to be moved up approximately 2 months and 20 days to allow time to include estimated special assessment installment amounts on the notice of estimated property tax.
- The adjusted time frame would increase city auditor responsibilities during prime budget season and place significant time constraints on cities to provide the counties with necessary information.
- Many cities have only one or two staff members in the city auditor's office, and not all cities have special assessment software to assist in the special assessment calculations.

In response to questions from committee members, Ms. Gast noted including the previous year's special assessment installment amount on the estimated property tax statement would be more feasible than making changes to the current special assessment timeline because the information from the previous year is readily available.

In response to questions from committee members, Ms. Linda Svihovec, Research Analyst, North Dakota Association of Counties, noted:

- Moving the deadline for cities to certify special assessments to the county auditors from November 1 to a date in December would not be workable because it would be beyond the time when property taxes have been calculated and many property tax statements have been mailed to taxpayers.
- Concerns regarding potential confusion resulting from including last year's special assessment installment amount on the notice of estimated property tax.

Senator Weber provided information ([Appendix E](#)) related to including special assessment information on the notice of estimated property tax. He noted inclusion of special assessment information on the notice of estimated property tax would provide property taxpayers a better estimate of their total property tax bill and allow taxpayers to budget in advance of receiving their property tax statement.

Governor Doug Burgum provided information ([Appendices E and G](#)) regarding potential individual income tax relief legislation. He noted:

- On August 24, 2022, he, Lieutenant Governor Brent Sanford, and numerous legislators outlined an individual income tax relief package called the "Relief for All Income Tax Reform Plan."
- The plan would create the lowest flat income tax rate in the nation at 1.5 percent.
- Under the plan, every North Dakota income taxpayer would receive an income tax benefit and nearly 60 percent of North Dakota taxpayers would have no state income tax liability.

In response to questions from committee members, Governor Burgum noted:

- General fund revenues are ahead of forecast by 18 percent.
- Oil tax collections through July were \$2.8 billion, compared to the legislative forecast of \$1.95 billion.
- Following implementation of the plan, the state will be in a good position to analyze whether further income tax reduction is appropriate.

Mr. Brian Kroshus, Tax Commissioner, provided information regarding the proposed income tax relief plan. He noted:

- The plan would be the largest income tax relief package in the history of the state.
- The plan could be considered along with property tax relief legislation.

- Under the plan, the first \$54,725 of income for an individual and the first \$95,600 of income for a married couple filing jointly, including the federal standard deduction, would be at a zero tax rate.

In response to questions from committee members, Mr. Kroshus noted the state budgetary environment would support passage of the plan from a fiscal standpoint.

Chairman Patten referenced information ([Appendix H](#)) received from Mr. Kroshus and distributed to committee members. He noted the state has provided \$7.25 billion of property tax relief since 2007.

Some committee members expressed support for the proposed income tax relief plan. They noted:

- The plan is a simple way to ensure the tax relief will end up in the taxpayers' hands.
- Income tax rate reductions will make the state more competitive, help attract and retain workforce, and improve the state business climate.
- Property taxes are controlled at the local level and are therefore a local issue for locally elected boards and commissions to solve.

Other committee members expressed concerns regarding the proposed income tax relief plan. They noted:

- It is important to continue to discuss property tax relief, even if discussed in conjunction with the proposed income tax relief plan.
- Property tax is a bigger concern for constituents than the state income tax.

In response to questions from committee members, Governor Burgum noted the state subsidizing local spending is not a sustainable solution for property tax relief.

In response to questions from committee members, Mr. Kroshus noted North Dakota ranks 10<sup>th</sup> lowest in property tax, which means 40 states have higher property tax levels than North Dakota.

Senator Potter provided comments regarding the proposed income tax relief plan. He noted the plan would benefit out-of-state income taxpayers and would provide the largest income tax break to high-income earners.

Ms. Svihovec provided information ([Appendices I](#) and [J](#)) regarding an overview of calculating property tax. She provided an overview of:

- The valuation process for locally assessed property, centrally assessed property, rural electric cooperatives, and telecommunications companies.
- The budget preparation process, including the county budget cycle timeline, political subdivision budget worksheets, calculation of mill rates, and maximum levy worksheets.
- Estimated property tax notices and tax statements.
- A calendar reflecting 2022 property tax and political subdivision budget dates.

### COMMITTEE DISCUSSION

The committee discussed the amount of services provided by political subdivisions to taxpayers, the cost associated with the services, and the potential effect of inflation in relation to property taxes.

Chairman Patten noted it is important to determine how much money the Legislative Assembly would like to dedicate to tax relief before determining the appropriate type of tax relief for the state.

**It was moved by Representative Headland, seconded by Representative Steiner, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and to present the report to the Legislative Management.**

**It was moved by Representative Trottier, seconded by Senator Piepkorn, and carried on a voice vote that the committee be adjourned sine die.**

No further business appearing, Chairman Patten adjourned the committee sine die at 2:06 p.m.

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Megan J. Gordon  
Counsel

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Emily Thompson  
Legal Division Director

ATTACH:10